



May 6, 2015

Dr. Eric J. Barron, President  
Pennsylvania State University  
201 Old Main  
University Park, PA 16802

UPS Tracking: 1ZA879640296257349

**RE: Final Program Review Determination**  
OPE ID: 00332900  
PRCN: 201440328795

Dear President Barron:

The U.S. Department of Education's (Department's) School Participation Division - Philadelphia issued a program review report on March 4, 2015 covering Pennsylvania State University's (Penn State) policy and procedures regarding the delivery of Title IV credit balances for the 2012-2013 and 2013-2014 award years. The institution's final response was received on April 3, 2015.

The School Participation Division - Philadelphia has reviewed Penn State's response to the program review report. A copy of the program review report and Penn State's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by Penn State upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

Penn State's response to the program review report included revised procedures, scheduled additional training to staff, and the development and implementation of a Credit Balance Authorization form that must be signed by the student. The corrective actions taken by Penn State adequately address the requirements in the program review report. Specifically, the revised policy prohibits the holding of Title IV credit balances based on a verbal authorization; the retention of credit balances beyond the regulatory 14 day limit without proper authorization; the use of credit balances to pay prior period charges that exceed the regulatory \$200.00 limit; and, the use of credit balances to pay for subsequent academic year charges. In addition, Penn State has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of the finding. Therefore, Penn State may consider the program review closed with no further action required.

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division - Philadelphia  
The Wanamaker Building, 100 Penn Square East, Suite 511, Philadelphia, PA 19107  
StudentAid.gov

Appendix A, Student Sample, contains personally identifiable information and will be emailed to Penn State as an encrypted file. The password needed to open the file will be sent in a separate email.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

If you have any questions please contact Heidi Kovalick at (215)656-6247, or via email at heidi.kovalick@ed.gov.

Sincerely,



Nancy Paula Gifford  
Division Director

Enclosure: Program Review Report  
Penn State Response to the Program Review Report

cc: Ms. Anna Griswold, Financial Aid Administrator  
Middle States Association of Higher Education

Prepared for  
**Pennsylvania State University**

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OPE ID 00332900  
PRCN 201440328795

Prepared by  
**U.S. Department of Education**  
Federal Student Aid  
School Participation Division - Philadelphia

**Program Review Report**  
March 4, 2015

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**A. Institutional Information**

Pennsylvania State University  
 201 Old Main  
 University Park, PA 16802

**Type:** Public

**Highest Level of Offering:** Master's or Doctor's Degrees

**Accrediting Agency:** Middle States Association of Higher Education  
 American Bar Association  
 National League for Nursing Accrediting Commission

**Current Student Enrollment:** 46,615 (2012/2013)

**% of Students Receiving Title IV:** 53% (2012/2013)

**Title IV Participation:**

Title IV Program	2012-2013
Federal Pell Grant	\$81,983,172
Federal Teacher Education Assistance for College and Higher Education (TEACH) Grant	\$12,000
Federal Direct Loans	\$553,031,805
Federal Perkins Loans	\$6,114,126
Federal Supplemental Educational Opportunity Grant (FSEOG)	\$6,173,880
Federal Work Study	\$4,598,406
<b>Total:</b>	<b>\$651,913,389</b>

**Default Rates:**

FFEL/DL Program (3-yr)		Perkins Loan Program	
2011	7.7%	As of June 30, 2013	1.4%
2010	8.0%	As of June 30, 2012	1.4%
2009	6.1%	As of June 30, 2011	2.6%

## **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a focused, off-site program review of Pennsylvania State University (Penn State) from July 15, 2014 to November 19, 2014. The review was conducted by Heidi Kovalick, Tara Johnston, and Diane Sarsfield.

This off-site program review served as the required follow-up to the Office of Inspector General's Distance Education Final Audit Report, Control # ED-OIG/A07L0001. The focus of this program review was to determine Penn State's compliance with the statutes and regulations as they pertain to the delivery of Title IV credit balances to students and/or parents. The review consisted of an examination of Penn State's policy and procedures regarding Title IV credit balances and an analysis of student account records.

A sample of 60 files was identified for review from the 2012-2013 and 2013-2014 (to July 15, 2014) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the students whose student account ledgers were examined during the program review.

### **Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Penn State's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve Penn State of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

This report reflects the initial finding. The Department will issue its final finding in a subsequent Final Program Review Determination letter.

## **C. Findings**

During the review, an instance of noncompliance with the regulatory requirements regarding the delivery of Title IV credit balances was noted. Findings of noncompliance are referenced to the applicable statutes and regulations and specify the actions to be taken by Penn State to bring the Title IV credit balance practices of the University into compliance with the statutes and regulations.

### **Finding # 1. Inadequate Title IV Credit Balance Policy and Procedures**

**Citation:** The funds an institution receives under the Title IV programs are held in trust for the intended student beneficiaries. Therefore, whenever an institution disburses Title IV program funds by crediting a student's account and the total amount of all Title IV program funds credited exceeds the amount of tuition, fees, room and board, and other

authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible but no later than 14 days after: 1) the balance occurred if the credit balance occurred after the first day of class of a payment period; or 2) the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period. 34 C.F.R. § 668.164(e)(1) and (e)(2).

An institution may obtain a written authorization from the student or parent to hold Title IV credit balance funds. 34 C.F.R. § 668.165(b)(1). In obtaining the student's or parent's written authorization, an institution: 1) may not require or coerce the student or parent to provide that authorization; 2) must allow the student or parent to cancel or modify that authorization at any time; and 3) must clearly explain how it will carry out that activity. 34 C.F.R. § 668.165(b)(2). Furthermore, an authorization is considered to be rescinded if the student is no longer enrolled at the institution. 34 C.F.R. § 668.165(b)(3).

Notwithstanding any authorization obtained, the institution must pay any remaining balance on loan funds by the end of the loan period and any remaining other Title IV program funds by the end of the last payment period in the award year in which the funds were awarded. 34 C.F.R. § 668.165(b)(5)(iii).

The institution may pay prior award year educationally-related charges incurred by the student at the institution, not to exceed \$200. 34 C.F.R. § 668.164(d)(2)

**Noncompliance:** Penn State's policy for the delivery and retention of Title IV credit balances is inadequate. Specifically, the policy allows for an improper authorization to retain credit balances, verbal not written authorization; the retention of credit balances beyond the regulatory 14 day limit without proper authorization; the use of credit balances to pay prior period charges that exceed the regulatory \$200.00 limit; and the use of credit balances to pay for subsequent academic year charges.

For example, Penn State did not have a proper authorization to hold Title IV credit balances for students # 4, 10, 19, 26, 31, and 34; Penn State applied credit balances to prior period charges exceeding \$200 for student # 34; and, Penn State applied credit balances to subsequent academic year charges for students # 4 and 34.

**Required Action:** In response to the program review report, Penn State must review the institution's records for the students referenced above, and provide any additional information it would like the Department to consider prior to the issuance of the Department's FPRD letter.

On November 19, 2014, Penn State submitted a written credit balance authorization form which Penn State's Senior Manager for Student Aid Compliance stated had been implemented. In response to this report, Penn State must provide an update regarding the implementation of the credit balance authorization form.

Additionally, Penn State must revise its policies and procedures to ensure that Title IV credit balances are paid to students and/or parents within the required 14 days; or, if applicable, the balances are held based on a signed written authorization in compliance with federal regulations. These revised procedures must also ensure that prior period charges paid do not exceed \$200 when properly authorized, and that credit balances are not used to pay for subsequent academic year charges. Penn State must submit a copy of its revised policies and procedures with the institution's response to this program review report.

#### **D. Appendix A**

Appendix A (Student Sample) contains personally identifiable information and will be emailed to Penn State as an encrypted WinZip file using Advanced Encryption Standard, 256-bit. The password needed to open the encrypted WinZip file(s) will be sent in a separate email.